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The myth of state capitalism

Ever since the October Revolution, both right-wing and radical observers have experienced great difficulty in understanding Soviet society. It is not surprising that academic historians and commentators have failed to get to grips with the Soviet Union. Yet Marxists too have proved incapable of coming to terms with a society formed out of the defeats of the working class across Europe in the twenties.

The failure of left-wing writers to develop the concepts required to grasp the specific features and social determinants of Soviet society has been one of the most telling signs of the disintegration of Marxism over the past half-century. It has meant that discussion of the Soviet Union has become a key arena for the revival of pro-capitalist and anti-Marxist thinking.

Although theories of Soviet society have been numerous and varied, most share the same underlying approach. They try to come to understand the new social formation by modifying existing theories of capitalism. Of course, many writers have stressed the unique features of Soviet society, describing it as a 'workers' state' or 'real socialism'. But even these theories have not been immune from the general tendency to base assumptions about the nature of the Soviet Union on superficial parallels with capitalist development.

The impressionistic approach to the Soviet Union first became

popular in the thirties. The profound rupture of capitalist norms by the Depression and the emergence of fascism, at a time of chaotic industrialisation and mass repression in the Soviet Union, led many writers to discover common features between West and East. The growth of state intervention in the capitalist economies appeared to correspond to the centralised system in the Soviet Union. This was the starting point for theories of East-West *convergence*.

After the Second World War, when both Western capitalism and the Soviet system experienced economic growth and technological progress, convergence theories acquired a new momentum. Commentators now argued that the differences between the two social systems were being eliminated by economic and technical change. While right-wing thinkers coined the phrase 'post-industrial society' to describe this trend, radical writers promoted the concept of 'state capitalism'. This view became widely accepted on the non-Stalinist left.

This article has three aims: to investigate the theoretical assumptions behind theories of convergence, to explain why they became so influential, and to show that they tell us little about capitalist society and even less about the Soviet Union.

Evolution dehistoricised

Marx's most important theoretical achievement was his critique of the method of ahistorical generalisation which is the hallmark of bourgeois social theory. In arguing that each mode of production is governed by social laws distinct from those of all preceding societies, Marx made a clear break with existing accounts of historical evolution. His denial of general historical laws stood in sharp contrast to the approach of bourgeois theory, in which capitalist society appeared as a natural order, a culmination of mankind's drive towards economic and social progress.

Early bourgeois political economists, such as Adam Smith and David Ricardo, regarded capitalism as the ultimate development of human civilisation. They treated capital as a general form of wealth, rather than a social relationship specific to capitalist society. Smith's discussion of the historical development of England from the days

of the Roman conquest to the industrial revolution typifies this approach:

'When we compare the state of the nation at two different periods and find that the annual produce of its land and labour is evidently greater at the latter than at the former, that its lands are better cultivated, its manufactures more numerous and more flourishing, we may be assured that its capital must have increased during the interval between the two periods.'

For Smith there was no qualitative difference between society in Roman and in modern times. Social change was purely quantitative—a matter of increased efficiency.

Smith distinguished between advancing, stationary and declining conditions in an essentially unchanging social organism. In the same vein, Ricardo treated the 'natural advance of society' in a manner which obliterated the distinctions between different societies. For Ricardo, capitalism was not a new social order, but simply a more productive version of past societies. Marx noted that 'Ricardo regards bourgeois, or more precisely, capitalist production as the *absolute form* of production, whose specific forms of production relations can therefore never enter into contradiction with, or enfeeble, the aim of production.'² Ricardo's conception of capitalism as an 'industrial society' anticipates the technical approach to social analysis which has been characteristic of all subsequent bourgeois theory.

In bourgeois thought capitalist relations of production are regarded as natural and hence as not worthy of investigation. Instead, the changing forms assumed by these relations at the level of politics and distribution become the central preoccupation. Since changes in political forces and in the shares of wealth held by different sections of society occur constantly, these become the subject matter of social science. By contrast, relations of production appear as fixed—as a purely technical matter.

A narrow focus on distribution was characteristic of the work of the nineteenth-century writer John Stuart Mill. Marx wrote of Mill that he 'admits the historically developed character of distribution relations, but nevertheless clings all the more tenaciously to the

unchanging character of production relations themselves, arising from human nature and thus independent of all human development'.³

Earlier this century changes in distribution gave rise to a host of impressionistic theories of social change. The growth of state intervention in the capitalist economy and the emergence of new phenomena like monopolies and trusts were interpreted as signs of the dawn of a new era. The contrast between novel forms of economic organisation (the separation of ownership and control and state 'planning') and classical capitalism (free enterprise) led both bourgeois and revisionist thinkers to conclude that capitalism was giving way to a new social order.

In 1940 the American Federal Trade Commission warned that 'the capitalist system of free initiative is quite capable of dying and dragging down with it the system of democratic government.' It contended that monopoly 'constitutes the death of capitalism and the genesis of authoritarian government'.⁴ This panic-stricken reaction to changes brought about by the Depression and war was echoed far beyond the US ruling class.

In the thirties convergence theory made its first appearance. The growth of corporatist trends of state intervention and monopolies in the West suggested parallels with the state-run economy of the Soviet Union. Western observers were not particularly interested in examining the distinctive features of Soviet social relations—what struck them was the role of the state. Writers intent on solving the capitalist crisis by giving the state more powers began to point to the successes of Stalin's industrialisation to back up their case.

In Britain, Sydney and Beatrice Webb, notwithstanding their deeply held anti-Marxist prejudices, became ardent supporters of the Soviet system after a visit there in 1932. The Soviet bureaucracy, they argued, was 'the unavoidable apparatus of any highly developed industrial community'.⁵ For reformists and technocrats, the Soviet Union served as a model for capitalist counter-crisis policy.

The Webbs' positive attitude to Soviet society, however, remained very much a minority outlook. Far more widespread was the view that the Soviet economy was but a variant of the state systems of fascist Germany and Italy. This prejudice was the origin of liberal

and left-wing theories of 'totalitarianism' which became influential in the thirties. These theories reflected the pessimistic moods which took root among Western intellectuals after the defeats suffered by the international working class in the years leading up to the Second World War. Theorists of totalitarianism held that private capitalism was giving way to an even more repressive social order, based on state control. The Soviet Union, Germany and Italy were regarded as the most developed manifestations of this new global trend. By projecting certain features of fascist society on to the Soviet Union, Western thinkers arrived at the notion of a convergence between both systems. In this simplistic analysis certain phenomena common to all societies—such as state repression—were abstracted and used as evidence of the birth of a new world order. The Italian writer Antonio Labriola, for example, argued that 'in its communist (Stalinist), fascist (Mussolinian) or national socialist (Hitlerite) form, the state replaces control by private capitalism with its own control, through its functionaries'.⁶

Once state activity was regarded as the determining factor of social development, the distinctive characteristics of different societies came to be seen as a matter of indifference. The influential work, *The Managerial Revolution* by the American author James Burnham, did much to popularise the theory of convergence. Burnham's 'managerial revolution' thesis was really nothing more than a generalisation from the observation of the trend towards state intervention. He argued that this would lead to a 'decrease in capitalist ownership and control'—a development he viewed as 'part of this general process of social transition which is taking place, a process analogous to what happened in the transition from feudal to capitalist society'. Burnham concluded that 'the position of the capitalists as the ruling class is being undermined and, before long, will collapse'.⁷ For Burnham, Soviet society was simply a more advanced model of capitalism.

Following the current radical fashion, Burnham linked his conception of managerial society with totalitarianism, arguing that nations like the Soviet Union, Germany and Italy, which had the most developed 'managerial social structure', were also totalitarian.⁸ What distinguished Burnham from his contemporaries was his

emphasis on class structure—on the emergence of a new managerial elite. This explains why his work was to prove so attractive to post-war American sociologists.

While Burnham emphasised the question of managerial control, the German revisionist Rudolf Hilferding highlighted the state. Hilferding maintained that the economic differences between the Soviet Union and fascist societies were of little consequence, because in all these societies a totalitarian state subjected the economy to its aims. Hilferding argued that the controversy over whether the economic system of the Soviet Union was capitalist or socialist was 'rather pointless', because it was 'a *totalitarian state economy*, ie a system to which the economies of Germany and Italy are drawing closer and closer'.¹⁰ Both East and West, a new economic order was in the making:

'The economy is deprived of its own laws, it becomes a controlled economy. Once this control is effected, it transforms the market economy into a consumers' economy. The character and extent of needs are then determined by the state. The German and Italian economies provide evidence of the fact that such control, once initiated in a totalitarian state, spreads rapidly and tends to become all-embracing, as was the case in Russia from the very beginning. Despite great differences in their point of departure, the economic systems of totalitarian states are drawing close to each other.'¹¹

Given the superficiality of the theories of totalitarianism, it may seem remarkable that they could ever gain a serious hearing. But in the period of Hitler's gas chambers and concentration camps, Stalin's Gulag and mass executions, the slaughter of Spain and the carnage that culminated in Hiroshima and Dresden, these theories rang true.

By stripping capitalist production relations of their historical specificity, observers took temporary changes in the political forms of capitalist domination for the negation of capitalism itself. Looked at in abstraction from social relations, one form of state repression could indeed appear to be much the same as another. And for anti-communists, a theory which equated the Soviet Union with Nazi Germany had obvious propaganda value.

As with all impressionistic theories, so the idea of totalitarianism quickly became outdated. After the Cold War which the West launched against the Soviet Union in the late forties, the label totalitarian was applied exclusively to the Eastern bloc. Yet the worldwide expansion of the post-war years gave a new lease of life to the idea of convergence. At a time of widespread prosperity and technological advance, the theory took a new, more optimistic, form.

Convergence theorists now argued that economic progress would eventually overcome the antagonism between East and West. In the West this outlook was summarised in the work of the influential American economist Walt Rostow¹² and by liberal thinkers like John Kenneth Galbraith. In the age of the 'affluent society', Galbraith predicted, East-West tension would vanish as the growth of credit and trade drew all parts of the globe into a harmonious and flourishing whole.¹³ However, Galbraith's idyllic post-industrial order never arrived. Instead, recession and the breakdown of detente in the mid-seventies soon turned convergence theory into a historical curiosity.

Re-reading Western writings on the Soviet Union of the past 40 years, it becomes clear just how much they were shaped by impressions derived from developments in capitalism. The shifting emphasis of Western literature reflects, not changes in the Soviet system, but the varying moods of Western society. If we take the two extremes—the pessimistic idea of totalitarianism and the hopeful notion of affluent society—it is apparent that the former was moulded by pre-war fascism and militarism, while the latter was shaped by the post-war boom. The changing terms of Western debate on the nature of Soviet society reveals more about the political atmosphere in the West than it does about the Soviet Union.

Convergence on the left

It is understandable that bourgeois theory should obscure the process of historical development. This fits in with its basic methodological premises. The seeds of convergence theory are already evident in the work of Max Weber, the founder of modern

sociology. In his 1918 'Lecture on Socialism' Weber explored the problem of excessive bureaucratic regulation which, he concluded, could lead to the 'dictatorship of the official'.¹⁴ The impact of Weber's ahistorical approach on the subsequent development of academic social science is well-known. What is not so widely recognised is its effect on the left.

In the thirties, many left wingers, who were repelled by Stalin's showtrials and purges as well as by the rise of reaction in the West, began to view trends in Soviet society as part of a global pattern. As hopes for revolutionary change faded, demoralisation prompted a far-reaching reinterpretation of the Marxist heritage.

The Italian writer Bruno Rizzi made a seminal contribution to the development of a left-wing variant of convergence theory. Rizzi's concept of 'bureaucratic collectivism', which the American sociologist Daniel Bell regarded as the precursor of the notion of 'post-industrial society', was symptomatic of the new trend. Despite its shallow, often irrational analysis, Rizzi's work, *The Bureaucratisation of the World*, was the first consistent attempt to outline a common pattern of development in the Soviet Union and Western capitalist societies from a Marxist perspective. According to Rizzi, capitalist property was in the process of transition from private to collective ownership, a process he regarded as leading to the establishment of a new and superior mode of production—bureaucratic collectivism. In this society the bureaucracy controls collectivised property and 'exploitation passes from the level of the individual to that of the class'.¹⁵ For Rizzi, the Soviet Union was a society in which the transition to bureaucratic collectivism had already been completed, in contrast to the West, where it had only just begun:

'Today, the nationalised property of the October Revolution belongs in its entirety to the class that controls it, that exploits it and guards it: it is class property. The system of collective property became established in the course of the evolution of capitalism; private property could not escape collectivisation. The reality is that collective property is not in the hands of the proletariat, but in the hands of a new class; a class which, in the USSR, is already an accomplished fact, whereas in the totalitarian states this class is still in the process of formation.'¹⁶

For Rizzi it was only a question of time before the decaying capitalist system assumed the bureaucratic collectivist forms of social organisation characteristic of the Soviet Union. Rizzi's theory was taken up and refined by the American Trotskyist Max Shachtman, whose work, *The Bureaucratic Revolution*, argued that bureaucratic collectivism was a 'social interregnum' during which the bourgeoisie was no longer able, and the proletariat not yet ready, to wield class power.¹⁷

After Rizzi and Shachtman, however, theories which posited the rise of a new class society lost their appeal. In the light of post-war history the argument that capitalism was in transition to a new mode of production could not be sustained. This is why, in more recent works, the concept of bureaucratic collectivism has been applied only to the Soviet Union.¹⁸

Nevertheless, Rizzi's and Shachtman's ideas still exercise a continuing attraction among sections of the non-Stalinist left. The theory of state capitalism, which was conceived within this tradition after the war, and which still informs some left-wing discussions of Soviet society today, presents a modified version of the approach taken by Rizzi and Shachtman in the thirties.

The problem confronting post-war Marxists was that theories which argued that a new form of class society had emerged in the Soviet Union contradicted the orthodox view that any modern class society must be ruled either by the bourgeoisie or the proletariat. The failure of the theory of bureaucratic collectivism to answer this problem meant that Marxists were forced to seek new solutions. The theory of 'state capitalism' was the result. It began from the assumption that the Soviet Union must be dominated by either the capitalist class or the working class, observed that the working class was not in fact in control of the Soviet system, and concluded that it must therefore be a capitalist society—one in which the state played the role traditionally assigned to the capitalists.

The theory of state capitalism is the most coherent theory of convergence. It is the one that most explicitly projects the features of capitalist society on to the Soviet Union. Even by the standards of convergence theory, the procedures of theorists of state capitalism are exceptionally crude. Preoccupied by a driving need to prove that

state capitalism is *possible*, the theory limits itself to a discussion of capitalism and refers to Soviet society only by implication. The argument it presents is that since there can be different forms of capitalist societies, the Soviet Union is such a society.

The state capitalism theory follows Rizzi and Shachtman in emphasising the transition from individual to collective ownership. Tony Cliff, whose work, *Russia: A Marxist Analysis*, is the most comprehensive presentation of the theory in English, argues that the transition from monopoly capitalism to state capitalism is the logical outcome of tendencies inherent in the system. But instead of resulting in a managerial society or bureaucratic collectivism, as Burnham, Rizzi and others argued, the process now leads to the creation of state capitalism. This change in labels serves merely to obscure methodological similarities.

Starting with the contention that the whole world is moving in the same state capitalist direction, Cliff argues that 'the Russian bureaucracy "owning" as it does the state and controlling the process of accumulation, is the personification of capital in its purest form.'¹⁹ For Cliff, the only difference between Soviet society and Western capitalism is where each came from: Soviet state capitalism, unlike its Western variant, did not evolve gradually from monopoly capitalism.²⁰ Cliff's theory is devoted to an attempt to prove these hypotheses by logical deduction and historical analogy.

Since the publication of Cliff's book, some of his co-thinkers have stressed that his work is not so much an analysis of the Soviet Union, but a discussion of global patterns of development in capitalism. Peter Binns and Mike Haynes have insisted on the wider applicability of the state capitalism thesis:

'In particular we ourselves have failed to insist on the central issue—namely that state capitalism is *not* an analysis of Eastern Europe but an analysis of capitalism in general of which these societies are a part. To the extent that state capitalism has been presented as a theory of Eastern Europe it has contributed to the more general growth of theories based on "exceptionalism" which hive off parts of the world and try to explain them in "their own terms".'²¹

Binns and Haynes realise that Cliff's theory cannot explain Soviet

society in its 'own terms', a fact which they regard as a virtue of state capitalism as a general theory of capitalist development. In this manner they 'save' the theory by reaffirming, in case there is any doubt left on the matter, that there is nothing exceptional about Soviet society. Apart from the nature of its birth, Soviet society for them is merely an 'extreme' form of the general pattern of evolution in the capitalist world:

'It soon became apparent that what was unique about the USSR was *not* the structure or the dynamic of its society, but the quite exceptional way it came about as the degeneration of a successful workers' revolution. We are arguing therefore that in the epoch of ageing, militarised and statised capitals, the Russian segment of the world system fits in merely as one of its more extreme examples.'²²

The virtue of Binns and Haynes' amplification of Cliff's work is that it makes explicit the essential premise of state capitalism and, by implication, of other theories of convergence. In their insistence that there is nothing 'exceptional' about Soviet society, and their concern for the coherence of the theory, Binns and Haynes spell out its methodological orientation in the clearest possible terms.

The object of state capitalist theory is to define a general evolutionary tendency—an approach which follows the method of bourgeois sociology. The reduction of different social systems to a common evolutionary trend is the fundamental premise of academic social science. By dehistoricising evolution, bourgeois theory presents society as fundamentally unchanging. State capitalist theory reaffirms this approach by discovering laws of development which govern both Western capitalism and Soviet society.

Although establishment propagandists never cease to emphasise how different 'communist totalitarianism' is from 'liberal democracy', they see in Soviet society only a perverted form of their own social system. This flattering impression is clearly conveyed in recent popular fiction, which portrays Soviet society as one in which everyone has a price, where corruption and cynicism predominate and profit is the only motive for individual action.²³ Convergence theory is the result of extending the ahistorical method of

understanding the capitalist world into a consideration of Soviet society. The inescapable conclusion of this approach is that whatever the label—industrial, totalitarian, bureaucratic collectivist, post-industrial or state capitalist—all societies must be the same.

The creation of a myth

The theory of state capitalism relies on a peculiar method of argument. Its object is to demonstrate that the capitalist system has no specific social features that cannot also be present in another society—the Soviet Union. Cliff starts by suggesting that monopoly capitalism leads to the invalidation of the law of value and concludes that the 'partial negation of the law of value borders on its total negation'.²⁴ If this is true—if the law of value is negated under capitalism and is no longer its defining social law—then it follows that the Soviet Union, where the law of value clearly does not operate, may also be capitalist. To prove that the Soviet Union is capitalist Cliff has to show that capitalism can exist without the features which, for Marxists, make up its specifically capitalist character.²⁵

Cliff extends this approach to the question of imperialism. In an attempt to demonstrate that imperialism also has no unique characteristics, he draws on the example of Tsarist Russia.²⁶ Cliff argues that, despite its imperialist character, Russia did not export capital. By the same token, the Soviet Union may also be considered imperialist. But the parallel with the Soviet Union assumes what must be proved—its capitalist character. The search for atypical features of capitalist relations is the nub of Cliff's method of inquiry, since his aim is to demonstrate that the Soviet Union is an atypical capitalist society. Sometimes this search for the atypical borders on the absurd. Binns and Haynes argue that wage-labour is not an essential element of capitalism, a contention they attempt to substantiate by pointing to American slavery and Russian serfdom, as examples of societies in which capitalism coexisted with class relations not founded on wage-labour.²⁷ The conclusion of this line of argument is predictable: why should the non-existence of wage-labour in Soviet society deter us from

considering it as capitalist, when such compelling examples of capitalist non-wage-labour are at hand?

The object of state capitalist theory is to show that there are no forms of social organisation which are indispensable to the capitalist mode of production. The only way this can be achieved is by redefining the concepts of Marx's *Capital* in a way which empties them of their historical specificity. The most striking illustration of this approach is the state capitalist discussion of the theory of value. For Marxists, the concept of value embraces a system of categories which express the social relations which are specific to capitalism. But in the hands of Cliff, Binns and Haynes it takes on a supra-historical character. This is the result of restricting the meaning of the concept of value to the exchange of products of labour. Following the example of Smith, Ricardo and other classical political economists, Binns and Haynes suggest that capitalist value relations grew out of the simple commodity production of pre-capitalist society. They even suggest that in pre-capitalist economies value relations were present in a more perfect form because here commodities could exchange at their market values, whereas under capitalism they cannot.²⁸ The authors seem unaware that whether or not products of labour were exchanged at market values in a pre-capitalist society is irrelevant to the theory of value.

The theory of value deals with developed capitalist society and expresses the particular form of social organisation through which the distribution of labour-time is regulated in it. Binns and Haynes ignore the uniqueness of the social relations that form the subject of value theory, and focus instead on discovering historical antecedents of value relations. This approach leads them to emphasise how products are exchanged—one aspect of the theory of value—at the expense of understanding the theory as a total form of social organisation which exists only in a developed capitalist economy. The Bolshevik economist II Rubin brilliantly repudiated such ahistorical interpretations of value theory in the early twenties:

'The historical question of whether commodities were exchanged in proportion to labour expenditures before the emergence of capitalism must be separated from the question of the theoretical significance of the

theory of value. Confusing the theoretical and the historical setting of the theory of value is not only pointless...but also harmful. Such a treatment puts the proportions of exchange into the foreground, and ignores the social form and the social function of value as the regulator of the distribution of labour, a function which value performs to a great extent only in a developed commodity economy, ie a capitalist economy. If the analyst finds that primitive tribes who live in conditions of natural economy and rarely resort to exchange, are guided by labour expenditures when they establish exchange proportions, he is prone to find here the category of value. Value is transformed into a supra-historical category, into labour expenditures independent of the social form of the organisation of labour. The "historical" setting of the problem thus leads to ignoring the historical character of the category value.²⁹

Once value is reduced to a theory of exchange, then it inevitably seems unrelated to a specific form of social organisation. The state capitalist discussion of the evolution of capitalism parallels its ahistorical treatment of value. Binns and Haynes could have lifted the following passage straight from Adam Smith:

'Historically capitalist commodity production grew out of simple commodity production. The artisans, the outworkers, and the craftsmen of the immediately pre-capitalist society that was transitional from feudalism, were the immediate precursors of the small capitalist producers who were to follow them. In the pre-capitalist society they produced *simple* commodities, governed by simple commodity exchange. Based on rudimentary instruments of production, this ensured—overall and as a whole—that exchange took place on the basis of values that directly reflected the socially necessary labour-time that went into making them.'³⁰

Here everything that exists under capitalism is already evident in earlier societies. Even socially necessary labour-time, a concept Marx regarded as inextricably linked to the existence of *abstract labour* in developed capitalism, is rediscovered in the past. Anyone familiar with *Capital* will appreciate that such a harmonious view of historical evolution was alien to Marx. He argued emphatically that capitalist production did not 'grow out of' simple commodity production. Nor were the pre-capitalist artisans and craftsmen the 'precursors' of capitalist producers. Capitalism emerged through a

profound rupture of social relations—notably through the separation of producers from their means of production.³¹ Marx insisted that the transformation of artisans or craftsmen into capitalists was very much the exception:

'Individual guild masters may develop into capitalists with the dissolution of the guilds: but the case is rare, in the nature of the thing as well. As a rule, the whole guild system declines and falls, both master and journeyman, where the capitalist and the worker arise.'³²

Once capitalism is dehistoricised, the differences between this mode of production and others appear as purely *technical*, not social. It then becomes possible to reduce the diverse social forms of economic life to common 'natural' processes. State capitalist accounts of accumulation show how this can easily be done. Cliff discovered that accumulation—by which he meant the piling up of material wealth—took place in the Soviet Union. However, when Marx discussed accumulation he was not concerned with material wealth. Every society produces and accumulates use-values. But the aim of capitalist production is not only to create use-values, but also exchange-values. Its peculiar object is the expansion of value, not the collection of use-values. We are dealing with the *accumulation of capital*, not that of material wealth.

Cliff appreciated that there was no evidence of capital accumulation in Soviet society. Hence, to sustain the argument that it is capitalist, he had to demonstrate that capitalism too could make do without capital accumulation. He discovered a kind of capitalist economy dominated by the production of use-values—the war economy. Cliff contended that in such an economy use-values become the aim of capitalist production. The capitalist class became so obsessed with servicing the war machine that 'the slogan "guns before butter" means that competition between the capitalist powers had reached the stage where the international division of labour is disrupted, and competition through buying and selling is replaced by direct military competition. Use-values have become the aim of capitalist production.'³³ Since use-values are also the aim of Soviet production it followed, once again, that both systems were the same.

As a method of analysis wrenching one moment in capital accumulation out of context is wholly illegitimate. But in any case, even during war the production of use-values has never become an end in itself. World wars and conflicts like the current arms race are not set in motion by autonomous forces, but present the outcome of capitalist social relations. In the Second World War, the leading capitalist economies did not merely produce munitions; they also reorganised production, raised the rate of exploitation and generally restructured economic life in a manner consistent with the need to raise profitability.³⁴ The production of use-values remained very much subject to the law of value. As the British ruling class knows only too well, it didn't get its guns for free. The discipline of the law of value imposed itself most painfully through the loss of important foreign assets, which Britain had to sell off to meet debts run up with the USA.

Cliff's emphasis on use-values is to obliterate everything that distinguishes different societies. What he considered essential, Marxism regards as irrelevant. Marx insisted that a one-sided study of use-values, focusing on wealth in its general forms, revealed little about what shaped different societies:

'Political economy has to do with the specific social forms of wealth. The material of wealth, whether subjective, like labour, or objective, like objects for the satisfaction of natural or historical needs, initially appears as common to all epochs of production. This material therefore appears initially as mere presupposition, lying quite outside the scope of political economy, and falls within its purview only when it is modified by the formal relations or appears as modifying them.'³⁵

'The first category in which bourgeois wealth presents itself is that of the commodity. The commodity itself appears as a unity of two aspects. It is *use-value*, ie object of the satisfaction of any system whatever of human needs. This is its material side, which the most disparate epochs of production may have in common, and whose examination therefore lies beyond political economy.'³⁶

'In other words, Ricardo says here: wealth consists of *use-values* only. He transforms bourgeois production into mere production of use-values, a

very pretty view of a mode of production which is dominated by *exchange-value*. He regards the specific form of bourgeois wealth as something formal which does not affect its content. He therefore also denies the contradictions of bourgeois production which break out in crisis.'³⁷

Cliff followed Ricardo in his 'very pretty view' of capitalist production. Having defined the special form of capitalist wealth out of existence, he presented production as a purely technical matter and relegated the differences between diverse systems of production to the sphere of distribution. Theory at this point lapsed into moralism, as Cliff's comparison between a socialist and a war economy made painfully clear:

'In a socialist economy, the aim of production is the creation of use-values; the aim of a war economy, too, is the production of use-values. But in a socialist society use-values are those needed by the people, while in a war economy they are guns, military equipment, and stores—use-values inimical to the interests of the people.'³⁸

By reducing the difference between a capitalist and a socialist society to the sphere of distribution, Cliff diverged sharply from the Marxist critique of capitalism. This attacks relations of production, not those of distribution. Marxists aim to establish a communist society because it offers a superior system of production, not because of its progressive forms of distribution. Reformists have traditionally emphasised the sphere of distribution, for if the central problem of society is identified as one of inequality, then the policy of reform is realistic and revolution unnecessary.

Thus to define the Soviet Union as state capitalist it is first necessary to redefine capitalism. Only if capitalist production relations are dehistoricised and treated technically can the theory of state capitalism acquire any coherence. Despite their convoluted attempts to equate the two social systems, state capitalist theoreticians have in fact tended to give up half-way. Cliff and his followers have stopped short of trying to prove that the internal social relations of the Soviet Union are capitalist. They argue instead that, somehow, the system becomes capitalist through its

relations with the external world. The medium through which this is held to occur is military competition with the West.

Cliff confused capitalist competition, which is a specific relation of one capital to another, with military competition, which has occurred in all epochs. From a Marxist point of view military competition is an ahistorical concept with little meaning. 'Arms races' between ancient Rome and Carthage, medieval France and Britain or modern Washington and Moscow have nothing significant in common. The question that needs to be answered is what are the *specific* social forces that generate military competition in different periods.

Cliff treated military competition as though it was the same as the competitive struggle between capitals. He thus concluded that the Soviet Union relates to the outside world as independent capitalist producers do to each other.³⁹ Cliff never considered that, following this argument, any post-revolutionary regime—even a genuine workers' state—would be doomed by military pressure to become a state capitalist society. Nor did he spell out the mechanism through which military competition was supposed to impose the laws of capital on the Soviet Union. Binns and Haynes however made a valiant attempt to solve this mystery, using the now familiar examples of American slavery and Russian serfdom to substantiate their argument. According to Binns and Haynes, both slaves in the Deep South and serfs on the Steppes were non-wage-labourers who produced a surplus which was then transformed into surplus-value through exchange with the world economy. This is, apparently, more or less what goes on in the relationship between the Soviet Union and the West today:

'As with Marx's capitalist plantation slavery, latter-day state capitalism stands in need of an external process of valorisation to make it a form of capitalism.'⁴⁰

How does this process occur?

'For valorisation to take place in USSR Ltd, it has to be the case therefore that Russian products of labour are piled up against those of its competitors. Without this its labour would remain concrete and specific,

not abstract and general.

'But for this valorisation to be specifically *capitalist*, it also has to be the case that the economy is ultimately dominated by surplus-values—living and dead—to which it gives rise.'⁴¹

Binns and Haynes deserve full credit for drawing out the irrationality of the theory of state capitalism in the clearest possible way. It should be noted that this solution to the problem of how value relations 'get into' the Soviet Union appears only in their penultimate paragraph—not exactly an indication of confidence in their theoretical breakthrough. How *valorisation*, which presupposes capitalist relations of production, can be anything other than 'specifically capitalist' remains unclear. Nor have we yet come across 'living' surplus-values, though no doubt Binns and Haynes have met them frequently. Valorisation taking place through the 'piling up' of products of Soviet labour against those of its competitors? Though indicative of a fertile imagination, this is hard to follow.

Everybody agrees that the products of Soviet labour are produced as use-values. Even when these use-values are exchanged against commodities on the world market, they do not change their character. As long as products of labour are produced as values of use, and not as exchange-values, the social relations that produce them are not capitalist. Moreover, even when products produced as use-values enter international exchange—through a relation of barter—and become commodities through this act, they are still commodities that were produced non-capitalistically. For it is not *exchange* that determines the social character of the products of labour, but the relations of production. Marx was categorical on this point:

'The result of the capitalist production process is neither a mere product (use-value) nor a *commodity*, that is a use-value which has a certain exchange-value. Its result, its product, is the creation of *surplus-value* for capital, and consequently the actual *transformation* of money or commodity into capital.'⁴²

Soviet foreign trade involves things specially produced for the world

market. In the absence of value relations, these are produced not as commodities, but as use-values, whose use-value is that they can be traded abroad. The Soviet Union experiences the discipline of the capitalist market only in world trade. The exchange-value Soviet goods can fetch is determined by the internationally established average quantity of labour-time necessary to produce them. If the average labour-time embodied in a car is 60 hours, a Soviet Lada, even if it took 60 days to produce, will change hands for the equivalent of only 60 hours labour-time. In this way the law of value indirectly affects Soviet trade. But as long as Soviet social relations remain unchanged, trade cannot transform non-capitalist production into its opposite and the products of Soviet labour will remain use-values. Accumulation under these conditions can only be the accumulation of use-values, not the expansion of value.

Capital and the state

The characteristic feature of the theory of state capitalism is that it ignores the historical specificity of social relations. This defect originates from the modifications of Marxism introduced by Austro-Marxist and Stalinist writers, notably Hilferding and Bukharin, in the inter-war period. In the era of imperialism, the demise of free competition led many Marxists to reconsider the theory of *Capital*. Revisionism emerged as a distinct theoretical trend which held that competition could now be brought under control and that the law of value no longer held sway. Revisionists considered that Marx's analysis of capitalist social relations was dated and hence began to regard economic questions technically, without reference to relations of production.⁴³

Revisionists regarded the state as an agency that could remove the remaining anarchic features of the system. This idea gave reformist politics a new intellectual authority. Leading Marxists began to argue that class conflict would subside and that, with further state intervention, capitalism could evolve peacefully into socialism. By the end of the First World War this evolutionary outlook, which denied the antagonistic and transient character of bourgeois society, became the dominant trend in Marxism. Weber noted the common

ground between the new Marxists and his own theories. In 1918, he reassured an audience of Austrian military leaders that they had little to fear from the revisionists:

'These arguments show at any rate that the old revolutionary hope of catastrophe, which gave the *Communist Manifesto* its compelling power, has given way to an evolutionistic view, ie a view of the gradual growth of the old economy with its enormous competitive concerns into a controlled economy, whether it is controlled by civil servants or by syndicates with the participation of civil servants.'⁴⁴

The new Marxist theory was summed up in the phrase 'organised capitalism'. The revisionists considered that society was moving towards a system in which competition could be eliminated, the individual capitalist denied an important role and society run by an enlightened bureaucracy—or, as the new Marxists put it—by 'socialist' administrators.

The Austrian economist Hilferding wrote one of the first systematic expositions of the new theory. He envisaged a capitalism 'freed from the domination of unlimited competition' and the 'blind laws of the market', and subjected instead to what he called a 'scientific method of competition'. For Hilferding the replacement of free competition would lead to a controlled and thus progressive economy. 'In this way', he argued, 'capitalism itself surrenders its main mission to socialism.'⁴⁵ In Hilferding's new era even prices would no longer be determined by value relations—the state itself would regulate wages and prices.⁴⁶ Here the social laws of capital are suspended, barriers to social advance vanish, and everything becomes possible. All remaining problems can be put down to technical mismanagement by the state and are therefore surmountable.

This theory was developed further in the works of the Soviet writer Bukharin. Like Hilferding, Bukharin saw in the new forms of the imperialist epoch the potential for state organisation of the economy. He argued that 'finance capital has abrogated the anarchy of production within the large capitalist countries.'⁴⁷ However, Bukharin differed from Hilferding in important respects. Sensing

that capitalism was unable to free itself from its inherent contradictions, Bukharin settled for a more subtle dualistic model of evolution—a mix of harmonising and conflicting tendencies. His argument was that capitalist anarchy could disappear within the nation state, but not on an international scale:

'Capitalist "national economy" has moved from an *irrational system* to a *rational organisation*, from a subject-less economy to an economically active subject. This transformation has been effected by the growth of finance capitalism and the fusion of the economic and political organisation of the bourgeoisie. At the same time, however, neither the anarchy of capitalist production in general nor the competition of capitalist commodity producers was eliminated. The phenomena have not only remained but have deepened by reproducing themselves in the framework of *world economy*. The system of world economy is just as blind, irrational and "subject-less" as the earlier system of *national economy*.⁴⁸

Bukharin's distinction between a harmonious national economy and a chaotic international market had important theoretical and political consequences. His theory suggested that, with proper guidance, a national economy could be organised and planned. It remained for the Stalinist bureaucracy to draw the conclusion that socialism could be built through state planning within the borders of the Soviet Union. Bukharin thus supplied the theoretical foundation for the revisionist theory of *socialism in one country*. At the same time, in arguing that the state could also organise *capital* and restrict capitalist competition to the world economy, Bukharin provided the basis for the theory of state capitalism.

We have seen how the theory of state capitalism relies on dissolving the boundaries between capitalist and non-capitalist relations of production. Both Hilferding and Bukharin made important contributions to the notion of convergence. Their shared concern was to uncover an evolutionary trend within capitalism through which the barriers presented by existing social relations would be overcome. But while Hilferding did little more than update existing reformist ideas in the light of new developments in Western capitalism, Bukharin wrote in the aftermath of the Russian

Revolution. His reconciliation in the realm of theory of the contradictory tendencies in imperialism was an attempt to come to terms with the tensions entailed in trying to build communism in the Soviet Union in the face of Western hostility.

The dualism of Bukharin's theory reflects the contradiction inherent in the Soviet bureaucracy's strategy of building an island of socialism in the imperialist ocean. Although setting out from preconceptions different from those held by the advocates of the theory of state capitalism, Bukharin was out to prove the compatibility of capitalist and non-capitalist social relations. Hence it is not surprising that his method displays a striking similarity to that adopted by the theorists of state capitalism.

Bukharin tried to skate over the conflict between the capitalist market and the Soviet system by arguing that value relations were not specific to capitalist society. The law of value, he argued, had a 'material content' which was valid for every form of society. This 'material content' was 'the need to distribute the existing labour force proportionally between different areas and branches of the economy'.⁴⁹

Blurring the boundaries between different social systems, Bukharin relegated the clash between Soviet and capitalist social relations to the sphere of technical and political matters. The fundamental conflict between value relations and attempts to construct a planned economy was defined out of existence—a procedure which suited the reformist practice of the Soviet bureaucracy. Bukharin's theory portrays post-revolutionary society as the natural result of the evolution of the social relations of modern capitalism: organised capitalism anticipates organised socialism. The development from capitalism to socialism hence appears as a harmonious process of development—all that changes are the political interests which control the state. The capitalists are superseded by the state, and the state capitalists are superseded in turn by the working class. In the late twenties Stalinist theoreticians came to regard state capitalism as a necessary stage of development. In reply to the Stalinist hack Bessonov, who accused him of being obsessed with social forms, Rubin pointed out the dangers of ignoring the historically specific features of capitalist society:

'Bessonow believes that under capitalism the spontaneous unorganised forms of production gradually disappear, giving way to an organised form of social production. This view must lead to the conclusion that capitalism can gradually overcome the contradictions in production, and from there to the idea of a painless transition from capitalism to socialism.'⁵⁰

Rubin's remarks were an early warning of the reformist consequences of the theory of state capitalism. If competition could be transcended by rational state management, capitalism would become a contradiction-free society immune to real change. Under such circumstances the reformist project of gradual improvement becomes not just realistic, but the only viable option.

The notion of a rational and organised capitalism put forward by Hilferding, Bukharin and others has not been vindicated by events. After two major depressions and endless attempts at international economic cooperation, capitalist production continues to defy planning and control. In fact the development of capitalism in the twentieth century has fully confirmed Marx's analysis. Marx argued that the *forms* of competition can change, but that capital cannot exist without competition. Competition, as understood by Marxists, is the interaction of different individual capitals. Even if attempts are made to organise this relation, short of destroying capitalism it cannot be done away with, because competition is nothing more than the medium through which the laws of capitalist production work themselves out.

For Marx 'competition generally, this essential locomotive force of the bourgeois economy, does not establish its laws, but is rather their executor.'⁵¹ Competition is a product of capitalist social relations and is not therefore susceptible to tinkering. Every attempt to control competition founders, because as long as capitalist production exists, the laws of capital impose themselves remorselessly through the market. Although competition may appear arbitrary and autonomous from production, the two are inseparable. 'Conceptually, *competition* is nothing other than the *inner nature of capital*, its essential character, appearing in and realised as external necessity.'⁵² In other words, capitalism exists as the interaction of many capitals and must express itself through competition. This is why Marx insisted that 'capital exists and can

only exist as many capitals.'⁵³ Individual capitalists are not an optional extra, but the necessary agency through which the laws of capital are realised. For Marx the notion of profitable production without a class of employers was a prejudice of the reformists. He noted that 'of course socialists sometimes say, we need capital, but not the capitalist' and replied 'Then capital appears as a pure thing, not as a relation of production.... Capital is indeed separable from an individual capitalist, but not from *the* capitalist.'⁵⁴ It is indeed only if capital is portrayed as 'a pure thing, not a relation of production' that the notion that capital can transform its own nature makes sense.

If they are considered merely as producers of 'pure things', the Soviet Union and the USA have much in common. Both are industrial societies producing 'things', albeit of varying quantity and quality. This profound insight is the ultimate wisdom that can be achieved by discarding the Marxist principle of historical specificity.

The theory of state capitalism, the most coherent of convergence theories, tries to understand Soviet society by redefining capitalism. This is an ill-conceived project. 'State capitalism' in the end tells us nothing about either the Soviet Union or the West. It serves only to resurrect bourgeois ideas of evolution under a Marxist label. Like all dogmas indifferent to the Marxist method, its political consequences are unfortunately all too familiar.

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- 23 See for example the widely acclaimed thriller by Martin Cruz Smith, *Gorky Park*, London 1982. *Gorky Park* and similar detective novels make the Soviet Union accessible to the Western public by helping readers rediscover themselves in Soviet society.
- 24 T Cliff, op cit, p153.
- 25 For a different variant of the argument see C Bettelheim, *Class struggles in the USSR: First Period 1917-23*, Sussex 1976.
- 26 T Cliff, op cit, pp177-78.
- 27 P Binns and M Haynes, op cit, p29 and p46. Incidentally Marx's discussion of serfdom and slavery under capitalism makes precisely the opposite point to the claims of Binns and Haynes. According to Marx these forms of labour are not an alternative but presuppose the existence of wage-labour and must therefore disappear with the development of capitalism. Marx observes 'Negro slavery—a purely industrial slavery—which is, besides, incompatible with the development of bourgeois society and disappears with it, presupposes wage-labour, and if other, free states with wage-labour did not exist alongside it, if, instead, the Negro states were isolated then all social conditions there would immediately turn into precivilised forms.' K Marx, *Grundrisse*,

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